

NOTICE OF PUBLIC HEARINGS

D.T.E. 01-31-PHASE II

August 6, 2002

On February 27, 2001, the Department of Telecommunications and Energy (“Department”), on its own motion, opened an investigation into the appropriate regulatory plan to succeed price cap regulation for Verizon New England, Inc. d/b/a Verizon Massachusetts’ (“Verizon”) retail intrastate telecommunications services in the Commonwealth of Massachusetts. After due notice, hearing, and consideration, on May 8, 2002, the Department issued an Order, D.T.E. 01-31-Phase I (“Phase I Order”), granting in part, and denying in part, Verizon’s request for market-based pricing flexibility for its retail business services. In its Phase I Order, relying on a three-pronged market power analysis of competitor supply elasticity, market share, and demand elasticity, the Department found that there was sufficient competition in the Massachusetts retail business market to permit Verizon upward pricing flexibility for the majority of its retail business services. Phase I Order at 89-90. The Department concluded, however, that downward pricing flexibility for Verizon’s retail business services would enable Verizon to engage in a “price squeeze” with respect to competitors that relied on Verizon’s unbundled network elements (“UNEs”). Id. at 90. Therefore, the Department implemented an enhanced price floor for Verizon’s retail business services, equal to the density-zone specific UNE rates for the elements that make up the service, plus a mark-up for Verizon’s retailing costs as reflected in the wholesale discount. Id. at 91. In the Phase I Order, the Department also made a series of “tentative conclusions” regarding regulation of Verizon’s retail residential services, in order to provide guidance to parties as to issues to be discussed in Phase II of the proceeding. Id. at 99-104.

On June 5, 2002, pursuant to the Department’s directive in the Phase I Order, Verizon submitted a compliance filing to the Department. Verizon’s compliance with the directives contained in the Phase I Order regarding regulation of Verizon’s retail business services, as demonstrated in Verizon’s June 5, 2002 filing, as well as determination of the appropriate framework for regulation of Verizon’s retail residential services including Verizon’s proposed service quality plan, will compose Phase II of our investigation.

The Department will hold public hearings on the above matters in the following locations at the following dates and times:

1. **Council Chambers, Pittsfield City Hall, 70 Allen Street, Pittsfield, Massachusetts, on August 27, 2002, at 7:00 p.m.;**

- 2. Worcester City Hall, Room 409, 455 Main Street, Worcester, Massachusetts, on August 29, 2002, at 7:00 p.m.;**
- 3. Department of Telecommunications and Energy, One South Station, Second Floor, Boston, Massachusetts, on September 3, 2002, at 7:00 p.m.; and**
- 4. Lawler Branch Public Library, 745 Rockdale Avenue, New Bedford, Massachusetts, on September 5, 2002, at 7:00 p.m.**

Members of the public are invited to attend and express their views.

By Order of the Department,

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MARY L. COTTRELL, SECRETARY